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# FOREIGN POLICY BULLETIN

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## EUROPEAN NATIONS MAP OUT FOUR-YEAR PRODUCTION PLAN

THE magnitude of the task of reconstructing the war-ravaged economy of Western Europe is frankly revealed in the General Report which the sixteen-nation Committee of European Economic Cooperation completed on September 22nd and forwarded to Washington. Prepared in response to the Marshall proposal of June 5, this document outlines a four-year program of recovery in which the participating nations, individually and collectively, pledge a full mobilization of their resources in return for further American aid. But, as the committee points out, the situation in Europe has rapidly deteriorated in recent weeks. The exhaustion of financial reserves, aggravated by poor crop yields, is already such that in several countries recovery has been halted. Therefore, in the absence of prompt help from the United States, even the most carefully devised plan for European recovery will prove futile.

**PRODUCTION TARGETS FOR EUROPE.** On the assumption that Congress will implement the Marshall proposal in the immediate future, the sixteen nations promise to undertake a large-scale production program which by 1951 is expected to result in an over-all level of output much higher than that obtaining in 1938. Thus, the plan provides that the pre-war output of cereals and other crops shall be restored, and in some cases—sugar, potatoes and milk—exceeded by 1951, as compared with farm production today that is 80 per cent below the 1938 figure. The output of coal, which is of crucial importance, is to be expanded to 584 million tons, i.e., 145 million more than the amount mined in 1947 and 30 million above the 1938 level. With respect to Europe's electric power, the generating capacity will be increased two-thirds above pre-war. Oil-refining capacity two and a half times that of 1938 is envisaged.

In order that the basic engineering industries may meet the bulk of requirements for capital goods, a larger output of crude steel is scheduled—55.4 million tons in 1951 compared with 45.5 million tons in 1938. In reaching this figure, moreover, the output of participating nations will be expanded at the expense of that in western Germany; the latter is scheduled to produce 12.7 million tons in 1951 as against 20.8 million in 1938. In the transport field, the cooperating countries propose to restore their pre-war merchant fleets by 1951; inland transportation facilities will be increased to carry a load 25 per cent larger than in 1938. Finally, underlying the entire program of expanded production is the commitment to take adequate steps to maintain, and where necessary—as in the case of France and Italy—to restore financial and monetary stability. The logic of this requirement is stated cogently in the report.

All of these proposals, the committee notes, have been predicated on the interdependence of the national economies covered; for "if these countries are to proceed quickly along the road to recovery, they

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must proceed together." Accordingly, it is agreed that quantitative trade restrictions are to be abolished as soon as possible, that tariffs shall be lowered multilaterally, and that steps shall be taken to promote the formation of European customs unions. In the meantime, other measures of cooperation are to be applied—e.g., common planning in the development of new sources of electrical power, standardization of certain types of equipment, including mining and electrical supplies, more efficient use of freight cars by pooling, the migration of idle workers and coordination of steel programs. Provided means are forthcoming to carry out the entire four-year plan, a joint organization is to be set up to review constantly the progress being made.

**THE DOLLAR DEFICIT PROBLEM.** But even when full allowance has been made for mutual aid, the sixteen nations will still require a large and steady inflow of goods and services from abroad, particularly the Western Hemisphere. This situation is not altogether a new phenomenon in Europe's economy, which has always had a deficit of food, raw materials and other goods to be met by imports. The gap, however, has been much increased by wartime losses, while the funds needed to close it have been drastically reduced through the decline of overseas investments, Europe's merchant marine, tourist trade, and so on. Moreover, non-American sources of supply for the time being have almost disappeared—Eastern Europe, itself severely devastated, has little food, timber, and other resources to export, and southeast Asia has had little to sell abroad. Given these circumstances, the dollar deficit for the sixteen participants and western Germany was at first conservatively estimated at over \$29 billion for the next four years. But, prompted by the warning of State Department spokesmen that this sum was more than Congress would be likely to approve, the committee reduced the deficit total to \$22.4 billion, with the sum of \$8.04 billion allotted for 1948. Loans by the World Bank and other credit operations are

### BRITAIN'S STAND FORCES U.S. TO

The categorical British statement on Palestine, made by Colonial Secretary Arthur Creech-Jones on September 26, gives notice that the Attlee government intends to relinquish its mandate regardless of the settlement the UN General Assembly may recommend. The London government comes close, in fact, to saying that it will assume little or no responsibility for the future of Palestine, even as a member of the UN, unless a solution requiring no forceful measures is adopted. The crucial question for the Attlee cabinet is the enforcement of the Assembly's decision, the Colonial Secretary said. "If the Assembly recommends a policy which is not acceptable to the Jews and Arabs," he continued, "the

expected to provide \$3.13 billion during the next four years. While trade with non-dollar areas will result in an estimated surplus of \$2.81 billion, this amount cannot be used as dollar exchange unless the other countries, in turn, receive a sufficient flow of dollars. In short, the maladjustment in the balance of payments is a world-wide phenomenon, which the sixteen nations alone are not in a position to correct. If it is to be eliminated as a result of expanding multilateral trade, the American market must absorb a much larger volume of imports from Europe and other parts of the world once production is fully restored abroad, the report warns.

In effecting a reduction of some \$7 billion in the deficit, the committee introduced into its calculations the assumption that "it is reasonable to expect that the westward flow of food and agricultural and forestry products" from Eastern Europe "will be gradually resumed." Elsewhere in the report, however, it is indicated that this prediction is hardly warranted, a conclusion repeated in off-the-record remarks of the experts who drafted the plan. It would appear, therefore, that as a result of political considerations in the United States the Paris committee has been forced to proceed to some extent unrealistically in determining the probable dollar deficit created by the import requirements—which, as the report carefully notes, will not even permit a restoration by 1951 of the 1938 level of food consumption, since the world supply is insufficient. But to get substantial recovery, the efficiency of European workers must be increased by larger supplies of food. With a per capita food consumption well above the average for 1935-39, and even 1941, the American people, in the opinion of United States experts, can readily afford to sacrifice in supporting this phase of the Paris economic plan. As Henry L. Stimson recently pointed out: "We must take part in this work; we must take our full part; we must be sure that we do enough."

HAROLD H. HUTCHESON

*(The first in a series of three articles on the Paris plan.)*

### REACH DECISION ON PALESTINE

United Kingdom Government would not feel able to implement it." So that there could be no possible misunderstanding of Britain's attitude, Creech-Jones stated bluntly that in the absence of a settlement his government had decided it "must plan for an early withdrawal of British forces and of the British administration from Palestine."

**WHAT NEXT IN PALESTINE?** What is new and startling about this announcement is Britain's clear-cut intention to withdraw as the sole outside authority in Palestine. This change in British attitude is bound to precipitate changes in policy on the part of other groups or nations interested in Palestine. First, the aims of both Jews and Arabs, within Pal-

estine and outside, may well undergo readjustment to meet the new situation. Thus far most Zionist spokesmen, in commenting on the British statement, have cast doubt on its sincerity. Arab leaders associated with the Arab League have also discounted Britain's aim to leave Palestine. But as it is borne in upon extremists in both groups that it is not Britain alone, but the UN which is now attempting to find a peaceful solution for Palestine, they may alter their former intransigent policies. It may be said that Zionist spokesmen have already done so in accepting partition along with economic unity for Palestine as proposed by the majority of the special UN Committee.\*

Since the Creech-Jones statement, Arab leaders have again threatened to use force to prevent any settlement involving partition in Palestine. But time alone can reveal what will occur in the wake of British withdrawal. Analogies are already being drawn to India, where transition from British administration has been accompanied by civil strife of the most savage character. It is to be hoped, however, that nationalist agents on the Arab side and terrorist groups among Palestinian Jews will not have inflamed their followers to the point where hostilities become inevitable as in India.

Britain's plan to hand over authority in the mandate will doubtless force the United States and perhaps Russia to clarify their respective policies. This development may in the long run prove to be the most significant result of the British statement. Both the United States and Russia have been hitherto reluctant to place their views on record regarding any ultimate plans for Palestine. Moscow's historic policy of consistently opposing Zionist activity, however, has undergone some change in recent years. And at the special General Assembly session last spring, when the committee of investigation on Palestine was arranged, the Russian delegate intimated that his government might support partition if a bi-national state could not be established. But of all the great powers most concerned in the Near East, Russia has fewer direct interests in Palestine and may therefore remain somewhat on the sidelines of the immediate controversy in the Assembly.

**UNITED STATES MUST DECIDE.** It would seem impossible, however, for the United States any longer to dodge the task of stating its views quite definitely. Whereas Russia's Deputy Foreign Minister Andrei Vishinsky, in addressing the opening

meetings of the Assembly did not mention the Palestine report, Secretary of State Marshall indicated that the United States gave "great weight" to the proposal on partition; yet on September 23, six days later, Marshall is reported to have told a private meeting of Arab delegates to the UN that this country maintained an "open mind" on the subject. Meanwhile, Arab leaders from London had declared that the seven Arab League states would break off all economic and cultural relations with Europe and America if the UN acted favorably on the recommendation for partition in Palestine.

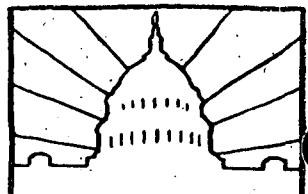
Events have thus moved to a climax with respect to Palestine, and the United States must now make its position clear on the Holy Land. Among the other issues involved is America's humanitarian interest in the 800,000 displaced persons in Europe, including 250,000 Jews, many of whom demand entry to Palestine. But the United States has not acted on its own to solve this problem. Congress has yet to pass on the Stratton Bill, which provides for the admission of 400,000 immigrants into this country in four years by using quotas unfilled during the war years. This country also faces the final implementation of the pledge, often repeated in the past 25 years by American political spokesmen of both parties, that the United States favors the creation of a Jewish homeland in Palestine, if not a Jewish state. United States relations with the surrounding Arab states are likewise at stake in the Palestine controversy—especially the undisturbed operation of private American concessions for the exploitation of oil, notably in Saudi Arabia. Moreover, if the Assembly adopts a program for Palestine requiring military enforcement, the question of sending American troops to replace those of Britain will loom large in United States policy. Finally the time has come when the White House and the State Department, known in the past to hold divergent views on Palestine, whether for domestic political reasons or otherwise, must compose their differences.

The crucial decision for the United States, as for Britain, is not what ideal solution might prove satisfactory to all concerned, but what settlement we are prepared to implement. Can our policy rise above the many contradictions of our previous professions on Palestine? Because of the complexity of the Palestine issue only the highest order of statesmanship on the part of the American delegation at Lake Success can hope to answer this question.

GRANT S. McCLELLAN

\*See *Foreign Policy Bulletin*, September 12, 1947.

# Washington News Letter



## CONGRESSMEN'S STUDY IN EUROPE MAY AID IN SHAPING U.S. POLICY

The common tendency of executive officials in Washington is to criticize Congress as an obstacle to the adjustment of foreign policy to changing circumstances and expanding needs. Available evidence does indicate that the present temper of Congress favors caution and economy in international relations when boldness and heavy spending seem necessary. But at the same time members of the House and Senate today show a deeper interest in foreign political, social and economic affairs than they did in the past. The clearest indication of increasing Congressional concern with matters abroad was the departure for Europe during September of an extraordinary number of special Congressional committees to examine at first hand America's foreign policy toward that continent.

**CONGRESSIONAL COOPERATION NEEDED.** The short-term usefulness of the Congressional visits abroad is plain to Secretary of State Marshall. The travelers who have seen at first hand the condition of the European nations may support his foreign policy legislative program at the next session. The journeys also have a long-term significance. They offer the President and the Secretary of State an opportunity to discuss with the returning Congressmen the possibility of re-establishing a system of teamwork between Capitol and White House for dealing with international relations. The traveling Senators and Representatives have gone abroad somewhat in the role of inspectors-general, to determine whether suggestions the Administration has made or is about to make are justified. They are critics, scrutinizing the value of foreign policy in whose initiation they have had no part. The Administration now can invite them to turn from mere inspection of policy to the larger task of sharing in its formulation. Without such collaboration, the United States cannot proceed with assurance in its dealings with other powers.

In a sense, the collaboration has already begun in Europe. There the Congressmen have conferred at length with American ambassadors and other agents of the Executive. The few comments which the Congressmen abroad have made to the press suggest sympathy on several points with the views of Truman and Marshall.

The Administration favors the economic revival of Germany as an essential means of hastening the economic revival of Europe through the "Marshall Plan." Senator H. Alexander Smith, Republican, of

New Jersey, said in Berlin on September 24: "It is vitally necessary that at least the three western zones of Germany are tied in the Marshall Plan." The Administration believes that an international information program bolsters foreign policy; Representative Karl Mundt, Republican, of Nebraska, said in Warsaw on September 22 that the existing information service "should be continued and expanded." The Administration has hesitantly advocated the admission of some displaced persons to the United States. Representative James G. Fulton, Republican, of Pennsylvania, said in Geneva on September 18 that the member countries of the International Refugee Organization (which includes the United States) should absorb the displaced persons into their economies as soon as possible. Only when the committees return to this country, however, will the Administration know whether the conferences with ambassadors and the on-the-spot inspections have won the travelers' support for its policies.

**COOPERATION HAS PRECEDENTS.** Various difficulties stand in the way of workable Congressional-Executive cooperation in foreign affairs. These difficulties are traceable chiefly to the Constitution, which gives the President responsibility for making policy and Congress the power to reject it. This separation guards American liberties from destruction at home, but it could expose them now to danger from abroad. Previous administrations, however, have succeeded in meeting the constitutional hazard, and have also overcome the other main impediment to cooperation—the party system—which encourages Congressmen to consider issues not on their own merit but as sources of political advantage. Secretary of State Hull as recently as 1944 consulted systematically with Democratic and Republican Senators and Representatives in the formulation of the major issue of foreign policy of that time, the American proposal for the creation of a United Nations. In the same year President Roosevelt fruitfully enlisted the help of Republican Senator Tobey of New Hampshire and Representative Wolcott of Michigan in negotiation of the Bretton Woods banking and monetary programs. Although those efforts withered after the death of President Roosevelt, they are not beyond hope of revival. President Truman himself has experimented with cooperation by consultation with Republican Senator Vandenberg, chairman of the Senate Foreign Relations Committee.

BLAIR BOLLES